

PERS: Vance, Cyrus R.

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Resignation of McCone As CIA Chief Indicated

Vance Mentioned as Likely Successor; Dillon and Celebrezze Also May Leave

By the Associated Press

Strong indications that John A. McCone will resign shortly as director of the Central Intelligence Agency developed today along with a fresh flurry of speculation about cabinet turnover.

McCone's return to private life would open another high-level post for President Johnson to fill as he begins his new administration.

Cyrus R. Vance, deputy secretary of defense, has been mentioned in some government quarters as a possible successor for the CIA post.

Johnson made his first cabinet choice yesterday. He announced the resignation of Secretary of Commerce Luther H. Hodges and named as his successor John T. Connor, 50, New Jersey drug manufacturer.

The announcement came on the heels of a report that Secretary of the Treasury Douglas Dillon plans to resign within a few months.

A Republican but a strong Johnson supporter, Dillon is expected to return to his family's New York investment banking business.

Other Prospective Shifts

Speculation on Dillon's successor has fixed mainly on Donald C. Cook, head of American Electric Power Service Corp., New York.

Other prospective shifts—confirmed neither by the White House nor by those directly involved—were said to include:

The departure—also within the next few months—of Secretary Anthony J. Celebrezze from

the Department of Health, Education and Welfare. Most frequently mentioned as a possible successor is Gov. Terry Sanford of North Carolina, whose term as governor ends in January.

The resignation before Jan. 1 of John S. Gleason as Veterans Administrator. There are recent reports he is returning to the First National Bank of Chicago.

Hodges, former governor of North Carolina, was the second member of the late President John F. Kennedy's original cabinet to leave since Johnson assumed the office. He told the President, in a letter of resignation that Johnson accepted with "deep regret," that he is now nearing 67 and had always intended to stay only four years.

Kennedy's Post Still Open

The first of Kennedy's team to quit was Atty. Gen. Robert F. Kennedy, now Democratic Senator-elect from New York. The key post has been vacant since midsummer.

In picking Connor, Johnson reached into the ranks of the Business Council, the blue-

ribbon voluntary organization of big businessmen and top financiers which performs research and advisory services for several government agencies.

Hodges had a row with the Business Council in 1961, a few months after he took office, over its exclusivity and secrecy. The council then severed its official advisory ties with the Commerce Department, which had lasted a quarter-century.

Lauded by Kappel

Connor appeared to be an ideal choice to heal any lingering scars of the battle. He proved his devotion to the President in the political campaign by becoming co-chairman, with New York financier John L. Loeb, of the businessmen's group backing Johnson's election.

Connor's selection was acclaimed by the chairman of the Business Council, F. R. Kappel, board chairman of American Telephone & Telegraph Co. In a statement issued so quickly that it appeared he may have had foreknowledge of the President's intention, Kappel said:

"The President has made an excellent choice in the selection of Mr. Connor. He knows the interests of the citizens and of the nation. Certainly he will have the confidence and support of business."

Roger M. Blough, chairman of U.S. Steel Corp. and a former Business Council head who was Hodges' chief antagonist in the 1961 spat, called the appointment "first-rate." He said Connor is "able, conscientious and held in high respect by the business community."

Fast Confirmation Expected

Johnson called newsmen into the White House theater to make the announcement. He said Connor's nomination will go to Congress early in January. Quick Senate confirmation is expected.

Johnson called Connor "the kind of man I am proud to have serve in the cabinet."

Connor has been a director of several corporations, including General Motors and General Foods.

He met reporters informally after the presidential announcement, and in answer to their question said that:

The Merck Co.'s sales have approximately doubled since he became president in 1955, to a 1964 total of about \$230 million.

One of his prides is Merck's record of developing and introducing new drug products—in large part as a result, he said,

of nearly \$28 million poured into research and development.

He supports wholeheartedly the export expansion program spearheaded by the Commerce Department; more than 30 percent of Merck's sales in the last year were overseas.

Businessmen recognize the need for domestic price stability to keep America in the forefront of world trade, but also recognize that "we cannot have price stability unless there is some understanding that costs don't increase" unreasonably—and that wages are an important element in costs.